

Summary of Presentation and Responses to Questions
Tom Warne, Former Secretary of Utah DOT
Blue Ribbon Panel Meeting
June 18, 2003

Mr. Tom Warne, former Secretary of the Utah Department of Transportation (UDOT) and currently an independent consultant, met via telephone conference with the Blue Ribbon Panel to provide information pertaining to state Department of Transportation credibility, accountability, and efficiency issues.

The issues presented in Mr. Warne's presentation, as well as those brought out as a result of questions from the panel members, are summarized below.

Structure and Organization

Mr. Warne stated that DOT Directors or Secretaries are generally employed by a Commission who has the hiring authority to do so or appointed by the Governor. He said that either structure will work, and each has advantages and disadvantages.

Mr. Warne said when the DOT Secretary is appointed by the Governor and is part of his cabinet, he had a substantial advantage as it pertains to political clout. He noted that when the Governor is supportive of the DOT Director or Secretary, as would be expected to be the case, the Governor will help to carry the DOT's agenda and advance important transportation issues. He reported that the strong support he received from the Governor of Utah had allowed him to pursue innovative issues, which ultimately were very successful.

Mr. Warne noted that Directors or Secretaries hired by a Commission may be subject to less political pressure or influences than those appointed by the Governor.

Mr. Warne said his personal preference regarding DOT structure includes both a Secretary appointed by the Governor and a Commission whose sole responsibility is to establish project priorities. Mr. Warne said this structure allows the Director to report to the Governor which enhances his political clout in terms of advancing bold transportation issues in the state and provides an independent, non-political body (Commission) to set priorities. He said this type of structure works well throughout the nation.

In response to a question from the panel about visibility or involvement of Commission members, Mr. Warne said that in the states that are most successful, Commissioners generally tend to be relatively visible, but not so much so that you lose sight of the Director. He said the public does not associate the Commission with running the day-to-day affairs of the Department, as it does the Director.

Regarding the issue of potential political pressures placed on the Commission, Mr. Warne noted that in most cases, once a Commissioner is appointed, he/she can only be removed for cause; therefore Commissioners are largely independent of the governor and operate in an independent manner. He said his experience and observations lead him to conclude that whether

political influence or pressure is an issue is dependent on who is appointed rather than the commission structure.

Mr. Warne said, however, that he sees legislators around the country getting more involved in establishing project priorities as they tie them with funding proposals. He reported that the Utah legislature had raised \$3 billion for road improvements, which was contingent on UDOT providing a list of projects. A list of 42 projects was provided without prior Commission approval, because the Commission Chairman recognized that the politicians were going to raise the money and were going to identify specific projects. The \$3 billion program included a 5-cent gas tax, general fund money, registration fees, and allocation of some federal TEA-21 monies.

In response to an inquiry from the panel about advantages or disadvantages of appointing Commissioners from specified areas, such as Congressional districts, Mr. Warne felt one disadvantage would be limiting the pool of high caliber individuals from which to select. Another potential disadvantage would be the potential for the member to feel an obligation to ensure a road improvement was made in his area. On the other hand, appointing from specified area, would limit the possibility of a concentration of Commission members from one area.

Structure and Organization of the DOT

Mr. Warne said MoDOT had evolved in a similar manner to other DOTs in the nation in terms of organizational structure and operations. He noted, however, that Missouri is somewhat unique in the number of road miles under its jurisdiction. By contrast, he reported that the Arizona DOT is only responsible for the most significant roads: the Interstate and Primary Systems. The counties and cities have responsibility for all remaining roads in Utah. He said Missouri more closely resembles Virginia and several other states, which take care of virtually every road in the state. The Virginia DOT has responsibility for all roads, including all city streets.

Mr. Warne said he did not feel that organizational structure was the challenge being faced by MoDOT.

Centralization versus Decentralization

As it pertains to engineering functions, Mr. Warne said the states were nearly equally divided on centralization versus decentralization. He noted that either system works, and some states transition back and forth between the two. He said that states with larger programs tend to be decentralized in order to place the DOT's design assets closer to the customer. He suggested that it could be advantageous to be decentralized by allocating design assets to large urban districts but centralized for the remainder of the state.

As it pertains to decision-making, Mr. Warne said decisions pertaining to moving a project through design to construction should be streamlined as much as possible. He felt that authority should be extended to the districts for actual project execution, including such things as assigning design squads, local government coordination, and dealing with FHWA on specific issues. Mr. Warne said decisions pertaining to the "big picture," such as setting project

priorities, allocating money, and determining the balance between pavement preservation projects and new projects should be made at the headquarters level.

Reputation of MoDOT

Mr. Warne's assessment of MoDOT's reputation from a national perspective is that it is "middle of the road." He said other states would not look to Missouri for the latest and greatest ideas, nor would they take a doubtful or critical view of Missouri DOT activity.

Restoring Credibility

Mr. Warne reported the following circumstance in Arizona that was similar to the 1992 Plan experience in Missouri and resulted in lack of credibility for ADOT.

In 1985 Arizona passed a ½-cent sales tax to build roads in the Phoenix Metropolitan area. The \$6 billion program would have provided 231 miles of new freeway over a ten-year period. Because of the extremely good economy being experienced at the time, the DOT assumed a 12 percent growth rate in the sales tax; however within two years a recession hit Arizona and the sales tax growth was approximately 4 percent. In spite of the downturn in expected revenue, ADOT management continued to report that the program could be constructed as proposed.

In 1990, Arizona's elected officials, the governor, and the legislature determined that the half-cent sales tax would only raise half as much as had been projected and that all the roads promised could not be built. In addition, documents were found in ADOT's files that indicated ADOT management had been aware of the problem, but not reported it. The ADOT management people involved with the issue had already left the Department.

Mr. Warne said addressing the credibility issue took five to six years of very focused energy. In this effort, the two subsequent ADOT Directors recognized the issue and then invested almost all their energy in rebuilding relationships with the construction industry, the local elected officials, the state elected officials, and others. He reported that he, as Deputy Director, ran the Department because it was necessary for the Directors to be outside the Department doing damage control and repair work associated with the loss of credibility. He said they had an advantage because they were not a party to the problem. They promoted the view, "We cannot change history, but we can affect the future."

In addition to the outside relationship building efforts, the Director established a Life Cycle Program which focused on the freeway program that could not be completed and accounted for every increase and decrease in costs for right-of-way, engineering, environmental work, or construction costs. It tracked schedules and checked every project in terms of its budgets and change orders. This program was widely distributed on a regular basis and is still in use today. He said this was an excellent tool to ensure accountability.

Mr. Warne said the next critical step is for a DOT to do what it says it will do and then report back to the public. Reporting successes over a period of several consecutive years will result in rebuilding credibility and regaining public trust.

In response to questions from the panel regarding disposition of the projects within the failed ADOT 1985 plan, Mr. Warne reported that (1) the program was lengthened beyond ten years, (2) some of the projects were reduced in scope, and (3) some were eliminated. He noted that eliminating projects is a difficult issue.

Mr. Warne cited another example of DOT recovery from a major credibility problem. He said that in the last two years, a new Washington State DOT Director was appointed who went outside the DOT to serve as the “ultimate sales person” in terms of “branding” the Washington DOT. He explained that “branding” was a concept promoted in a book written by the CEO of the John Hancock Company. The concept centers on the idea that as long as you allow your enemies to “brand” you, you will never overcome all your obstacles; therefore, you must create your own “brand.” He noted that the Director in Washington State was so successful in creating his own brand and refusing to be defined by detractors that the legislature gave him a 5-cent gas tax increase in less than a year after a major voter initiative failed. Mr. Warne felt this increase was a direct result of the Director rebuilding external relationships, defining (“branding”) the Washington DOT as accountable and responsible to its customers, and submitting proof in terms of projects and cost control.

Mr. Warne’s advice for MoDOT to move beyond the 1992 Plan was for MoDOT to say that it cannot change the past, but it is going to affect the future and then outline what it is going to do to be a better agency.

He noted that restoring credibility takes far more effort than issuing a press release. He said the public and elected officials want to see substantial action. He said some agencies accomplish this through a reorganization process, others through a change in personnel, and others through other innovative means, such as that used by Arizona where a new Director, who was unassociated with the problem, focused on significant outside activities and visible means that had never been used before. He said the panel would need to consider actions that are significant both in nature and appearance. He said actions that are significant in nature would have little success if it does not appear significant to the public and elected officials. As an example, he said one means ADOT used to reflect that it was serious about doing things differently was to establish a group of corporate executives who met with the management staff monthly to discuss public services and to hear their observations about the kinds of things ADOT should be doing.

Credibility - Statewide Perspective

Mr. Warne said Missouri was not unique in experiencing rural and urban area disagreement on the fair share of funding or work flowing to their respective area. He said the public would always have more requests for improvements than the state would have money to provide. Mr. Warne said it was essential in retaining credibility for the Commission to take a statewide view toward addressing transportation needs. He felt it would be ill-advised for a

Commission to divide funds between rural and urban areas on a percentage basis; the Commission should opt instead to allocate funds to projects that have the most merit compared to needed improvements statewide.

Project Growth

In response to a question from the panel regarding controlling project growth, Mr. Warne said it was necessary to do a very thorough job of seeking public input during the project scoping phase before you establish the budget. Once the project is scheduled and the budget established, it is absolutely necessary for the project manager to deliver the project within that budget.

Diversions

Mr. Warne said while he had not done a state-by-state comparison to determine the type and percentage or amount of highway user funds allocated or appropriated to entities other than the state DOT, he suspected that Missouri would be one of the highest. In response to questions from the group, Mr. Warne said that allocations from highway funds to the State Highway Patrol would be minimal in most states. Mr. Warne also questioned the equity of allocating funds to the Department of Revenue for collection of highway user funds when a like assessment is not charged to other state agencies.

Tolls

Mr. Warne felt the use of tolls is probably going to occur, not because people feel it is good public policy, but rather out of desperation because elected officials increasingly lack the courage to raise sufficient revenue to pay for needed road improvements.

In response to an inquiry from the panel, Mr. Warne advised that technology and products are currently available for implementing a toll facility without the use of tollbooths.

Indicators of Accountability and Appropriate Performance Measures

Mr. Warne reported that when he assumed the position of Secretary of the Utah Department of Transportation, the Statewide Transportation Improvement Plan (STIP) had three times as many projects as anticipated revenue to complete them, therefore, it was impossible to successfully deliver the projects on schedule. He first revised the STIP to bring the projects into balance with the expected revenues. (He clarified that this was accomplished by moving the projects back in the schedule. Those that could not be accomplished within the five-year period were retained on a list identified as “beyond the five-year plan.” As the years progressed, they drew from these projects based on their priority.) Mr. Warne said UDOT adopted the phrase, “Say what you are going to do, and do what you are going to say,” and their measure of performance became the percent of projects promised compared to those actually delivered on an annual basis.

Mr. Warne said it was critical to report the outcome to the elected officials and others so they can, over time, recognize the success and accountability of the Department.

Mr. Warne said during his six-year tenure as Secretary of the Utah Department of Transportation, he conducted polls with the public and elected officials approximately every six months to determine how they felt about UDOT's performance. They responded to the poll results and reported back to the public about what they had done to change the way they were doing business. He noted that UDOT's approval rating went from 48% at the beginning of the six-year period to 75% at the end of the period.

In response to a panel member's inquiry about the significance of road conditions as it pertained to public approval, Mr. Warne reported that a national survey conducted ten years ago, which he felt continues to be valid today, indicated the public measures the success of a DOT by the smoothness of the road and its perception of safety. He suggested that road conditions be one of Missouri's performance measures. The Director would report on road conditions on a regular basis, measuring progress or decline in the percentage of roads in good or better condition and the reasons for the increase or decrease.

Summary Comments

Mr. Warne said it was his experience that people give money to public agencies that they trust; therefore, MoDOT will not solve its money problem until it solves its trust problem. He suggested that MoDOT create its own "brand" as an agency so it is not defined by its detractors, but defined as the organization it knows itself to be.

Mr. Warne said he found that most public relations offices within Departments of Transportation to be unsophisticated in marketing expertise; therefore he suggested the use of outside sources on a short-term basis to identify and implement actions to communicate that the agency is a good steward of public dollars. By way of example, he said that their polls found that people did not think UDOT could finish projects on time or within budget, so they provided a very consistent report process with all messages pointing to "Ahead of Schedule and Under Budget." Mr. Warne said most state DOT public relations offices are not equipped to help the DOT "brand" or create the reality of what the DOT is doing in terms of becoming a credible agency that people trust. He said MoDOT has to be seen as the provider of solutions to help people travel better; they have to be recognized by the public as dedicated and diligent deliverers of products and services.

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